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Casey broke no law, Justice report finds

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Washington—CIA director William J. Casey broke no law in failing to register as a foreign agent six years ago when he represented the Indonesian government, Attorney General William French Smith said yesterday.

In a report filed with the U.S. Court of Appeals for the District of Columbia, Mr. Smith said allegations of misconduct on the part of the director of central intelligence were "unsubstantiated" and did not warrant further review by a special prosecutor.

The attorney general held that Mr. Casey had not attempted to influence U.S. policy, but only to ask questions about oil taxes, in behalf of the Indonesian oil monopoly. As an attorney, Mr. Casey was free to do so without registering, Mr. Smith said.

The Justice Department report clearing Mr. Casey marked the third time in less than a year that he has successfully weathered a storm of personal controversy. Last December, Mr. Casey was chided by the Senate Select Committee on Intelligence for failure to provide the committee with a full and complete accounting of his personal business dealings during confirmation hearings on his appointment as head of the Central Intelligence Agency.

Last July, the same committee was critical of Mr. Casey for his appointment of Max C. Hugel to head the CIA's clandestine operations. Shortly after his appointment, Mr. Hugel was forced to resign in the wake of press disclosures about improper financial dealings that occurred before he entered government.

Questions about Mr. Casey's failure to register as a foreign agent arose in January, when it was disclosed that as a private attorney he had sought six years ago to restore lucrative U.S. tax credits to American companies that buy Indonesian oil.

Under provisions of the Foreign Agents Registration Act, anyone seeking changes in U.S. policy in behalf of foreign interests must register with the Department of Justice.

The provision caused a major controversy during the administration of former President Jimmy Carter when the president's brother, Billy Carter, failed to register as a foreign agent in connection with his activities in behalf of the Lybian government.

The summary report of the Justice Department's preliminary investigation of Mr. Casey said his case differed from that of Billy Carter because lawyers are exempt from registration under certain circumstances, and because all of Mr. Casey's dealings with U.S. officials were "open and above-board."

The Justice Department report noted that lawyers are permitted to negotiate in behalf of foreign governments without registering as foreign agents so long as the negotiations do not involve an attempt to change government policies.

"The evidence developed in this preliminary investigation indicates that Mr. Casey's activities on behalf of Indonesia clearly fell within this attorney exemption," the report said.

Mr. Casey's activities in behalf of the Indonesian government, according to the report, were limited to efforts to obtain an agreement with the Internal Revenue Service to ensure that payments made under oil production contracts would fall under certain provisions of the U.S. tax code.

Although press reports in January suggested that Mr. Casey was advocating changes in tax policy, Mr. Smith said the Justice Department investigation failed to support such a charge.

"I find this matter to be so unsubstantiated that no special prosecutor should be appointed," Mr. Smith told the Court of Appeals.

Mr. Casey has maintained throughout the Justice Department investigation that his former New York law firm had carefully considered the need for him to register as a foreign agent and found it to be unnecessary for the activities involving the Indonesian government.

Yesterday, Dale Peterson, a spokesman for the CIA, said Mr. Casey had no immediate comment on the Justice Department decision rejecting further investigation of the matter.

Under U.S. law, companies get a full credit off their U.S. tax payments for payments to foreign governments that are defined as taxes. Expenditures that are defined as payments for commodities, such as oil, may only be deducted as a business expense from income. Foreign oil producers try to structure their laws and contracts so that the bulk of the money they receive from American companies is defined as a tax.